

COUNTY RATE INFORMATION SYSTEM

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT AND
REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2004 AND 2003

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COUNTY RATE INFORMATION SYSTEM
OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mike Bergan	Chairperson	Winneshiek County
David Mineart	Vice-Chairperson	Warren County
Terrence Neuzil	Treasurer	Johnson County
Mary Williams	Secretary	Benton County
Otto Ewoldt	Member	Scott County
Melvyn Houser	Member	Pottawattamie County
Sue Novak	Member	Linn County
Lonnie Maguire	Member	Shelby County
Linn Adams	Member	Hardin County
Kay Kollmorgen	Member	Humboldt County
Ric Gerard	Member	Iowa County



David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA
Thomas J. Pflanz, CPA
John A. Schmidt, CPA
Daniel A. Schwarz, CPA
S. James Smith, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
County Rate Information System

We have audited the accompanying statements of financial position of County Rate Information System as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Rate Information System as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note E, County Rate Information System adopted Governmental Accounting Standards Board Statement No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 30, 2004, on our consideration of County Rate Information System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
July 30, 2004

www.mhscpa.com

1601 West Lakes Parkway, Suite 300
West Des Moines, Iowa 50266
515-288-3279 • Fax: 515-280-1490

Member of CPAAmerica International
SEC Practice Section of American Institute of Certified Public Accountants

Founded in 1946

106 E. Jefferson Street, P.O. Box 312
Winterset, Iowa 50273-0312
515-462-1882 • Fax: 515-462-1577

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

County Rate Information System provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Organization's operating revenues decreased 8%, or \$9,059, from fiscal 2003 to fiscal 2004. Membership fees decreased and entry fees increased.
- The Organization's operating expenses were 64%, or \$48,149, more in fiscal 2004 than in fiscal 2003.
- The Organization's net assets decreased 26%, or \$23,091, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

County Rate Information System is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to County Rate Information System's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Organization's financial activities.

The Statement of Financial Position presents information on the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Activities presents information on the Organization's operating revenues and expenses, non-operating revenues and expenses and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statement of Financial Position

As noted earlier, net assets may serve over time as a useful indicator of the Organization's financial position. The Organization's net assets for fiscal 2004 totaled approximately \$66,800. This compares to approximately \$89,900 for fiscal 2003. A summary of the Organization's net assets is presented below.

	June 30,	
	2004	2003
Assets - Cash and cash equivalents	\$ 86,838	\$ 103,192
Liabilities - funds held for others	20,000	13,263
Total net assets - unrestricted	\$ 66,838	\$ 89,929

All of the Organization's net assets are unrestricted net assets that can be used to meet the Organization's obligations as they come due.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statement of Activities

Operating revenues are received for dues and entry fees collected from member counties, as well as registration fees. Operating expenses are expenses paid to establish and maintain a rate system methodology to enable member counties to negotiate and receive appropriate reimbursement rates with covered Mental Health Developmental Disability Providers. Non-operating revenues include interest income. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 and 2003 is presented below:

		Changes in Net Assets	
		Year ended June 30, 2004	2003
Revenue			
Dues collected from members		\$ 89,999	\$ 106,803
Entry fees		6,000	-
Registration fees		3,375	1,688
Interest		1,132	1,074
Total revenue		100,506	109,565
Expenses			
Administrative fees		12,720	9,263
Consulting fees		98,175	59,200
Professional fees		1,900	1,950
Insurance		1,064	1,037
Meeting expense		9,015	2,411
Miscellaneous		723	1,587
Total expenses		123,597	75,448
Increase (decrease) in unrestricted net assets		(23,091)	34,117
Unrestricted net assets, beginning of year		89,929	55,812
Unrestricted net assets, end of year		\$ 66,838	\$ 89,929

The Statement of Activities reflects a net loss for the year with a decrease in net assets at the end of the fiscal year. In fiscal 2004, operating revenues decreased by \$9,059, or 8%, primarily a result of a decrease in dues collected from members by approximately \$16,800. Operating expenses increased by \$48,149, or 64%. The increase was primarily a result of an increase in consulting fees of approximately \$39,000, due to additional participating counties in 2004, and to a lesser extent, increases in administrative fees and meeting expenses.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. All of the Organization's cash inflows and outflows are for operating activities.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Organization officials. The greatest economic threat to the continuation of this program would be changes in either federal or state regulations regarding the use of funds to pay for the cost of administrative support services. This program exists to more efficiently use resources in providing services to individuals with disabilities. General disruptions in funding or significant programmatic changes could eliminate the need for this program. However, while program changes occur over time, the abandonment of funding or the complete elimination of these types of services is highly unlikely.

The Organization anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Organization's ability to react to unknown issues.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors and management with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Rate Information System, 501 SW 7th Street, Suite Q, Des Moines, Iowa.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	<u>\$ 86,838</u>	<u>\$ 103,192</u>

LIABILITIES AND NET ASSETS

Liabilities		
Due to Iowa State Association of Counties	\$ -	\$ 9,263
Accounts payable	<u>20,000</u>	<u>4,000</u>
Total liabilities	<u>20,000</u>	<u>13,263</u>
Net assets - unrestricted	<u>66,838</u>	<u>89,929</u>
Total liabilities and net assets	<u><u>\$ 86,838</u></u>	<u><u>\$ 103,192</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUE		
Membership fees	\$ 89,999	\$ 106,803
Entry fees	6,000	-
Registration fees	3,375	1,688
Interest income	1,132	1,074
Total revenues	<u>100,506</u>	<u>109,565</u>
EXPENSES		
Administrative fees	12,720	9,263
Consulting fees	98,175	59,200
Professional fees	1,900	1,950
Insurance	1,064	1,037
Meeting expenses	9,015	2,411
Miscellaneous	723	1,587
Total expenses	<u>123,597</u>	<u>75,448</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(23,091)	34,117
UNRESTRICTED NET ASSETS, beginning of year	<u>89,929</u>	<u>55,812</u>
UNRESTRICTED NET ASSETS, end of year	<u><u>\$ 66,838</u></u>	<u><u>\$ 89,929</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (23,091)	\$ 34,117
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net increase (decrease) in:		
Accounts payable	16,000	(4,000)
Due to Iowa State Association of Counties	<u>(9,263)</u>	<u>7,829</u>
Net cash provided (used) by operating activities	(16,354)	37,946
CASH, beginning of year	<u>103,192</u>	<u>65,246</u>
CASH, end of year	<u><u>\$ 86,838</u></u>	<u><u>\$ 103,192</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - County Rate Information System (CRIS) was established under the provisions of Chapter 28E of the Iowa Code. The purpose of CRIS is to establish a rate setting methodology to enable member counties to negotiate appropriate reimbursement rates with Covered Mental Health and Developmental Disability Providers.

Cash and cash equivalents - For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income tax status - CRIS was formed as a joint venture between the participating member counties and the Iowa State Association of Counties and is exempt from income taxes. Accordingly, no provision for income taxes has been provided in the financial statements.

Concentration of credit risk - CRIS has funds totaling \$80,890 in money market accounts not insured by the FDIC; however, the financial institution has pledged assets against these deposits.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - DUE TO IOWA STATE ASSOCIATION OF COUNTIES

Certain administrative expenses associated with the rate information system program are paid by the Iowa State Association of Counties (ISAC) on behalf of CRIS and then reimbursed to ISAC. Amounts owed to ISAC are non-interest bearing and are repaid as service fees are collected from participating counties.

NOTE C - COMMITMENTS

The Organization has a consulting agreement that ends June 30, 2005. The agreement may be terminated, without cause, by either party with 120 days written notice. Consulting expense under the agreement totaled \$98,175 in 2004 and \$59,200 in 2003. Consulting costs under the agreement are not expected to exceed \$80,000 in 2005.

NOTE D - FUNCTIONAL EXPENSES

The costs of providing services to establish a rate methodology include direct expenses of providing the services (salaries and related costs, as well as consulting fees). Management and general expenses include all executive and financial administration expenses.

Following is a summary of CRIS's functional expenses at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Program expenses	\$ 105,662	\$ 66,442
General and administration	<u>17,935</u>	<u>9,006</u>
 TOTAL	 <u>\$ 123,597</u>	 <u>\$ 75,448</u>

COUNTY RATE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE E - ACCOUNTING CHANGE

For the year ended June 30, 2004, the Organization implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

Implementation of these statements had no effect on the beginning balances of the Organization.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
County Rate Information System

We have audited the financial statements of County Rate Information System as of and for the year ended June 30, 2004, and have issued our report thereon dated July 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Rate Information System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control over Financial Reporting

In planning and performing our audit, we considered County Rate Information System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and the Organization's management and is not intended to be and should not be used by anyone other than these specified parties.

McGowen Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
July 30, 2004

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1601 West Lakes Parkway, Suite 300
West Des Moines, Iowa 50266
515-288-3279 • Fax: 515-280-1490

106 E. Jefferson Street, P.O. Box 312
Winterset, Iowa 50273-0312
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COUNTY RATE INFORMATION SYSTEM
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Reportable conditions

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.